

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**CORRECTED  
FISCAL NOTE**

**HB 887 - SB 1164**

April 3, 2013

**SUMMARY OF BILL:** Authorizes retired state employees with 30 or more years of service to take one course without charge, per semester, at any public higher education institution. Authorizes spouses of full-time state employees to receive a 25 percent tuition discount at any state-operated technical vocational school or public higher education institution.

**ESTIMATED FISCAL IMPACT:**

On February 25, 2013, a fiscal note was issued with an estimated fiscal impact of:

*Increase State Expenditures - \$119,600/FY13-14*

*Exceeds \$132,800/FY14-15 and Subsequent Fiscal Years*

On April 3, 2013, information was received from the Tennessee Board of Regents and the University of Tennessee stating that retired state employees may currently audit a course free of charge, but may not take a course for credit free of charge. Given this additional information, the estimated fiscal impact and assumptions have been corrected.

**(CORRECTED)**

**Increase State Expenditures - \$193,700/FY13-14**

**Exceeds \$206,800/FY14-15 and Subsequent Fiscal Years**

**Assumptions:**

- Lost revenue for state-operated area technical-vocational schools and higher education institutions resulting from the proposed tuition discount will require additional appropriations of state funds from the General Fund.
- Based on information received from the Tennessee Board of Regents and University of Tennessee, there are 64 retired state employees with 30 or more years of experience taking a course for credit at a TBR or UT institution with approximately 21 enrolled at a UT institution; 14 at a TBR university; and 29 at a TBR community college.
- Retired employees enrolled at a UT institution will receive an average discount of \$1,147; a total cost for this population of \$24,087 (21 x \$1,147).

**HB 887 - SB 1164 (CORRECTED)**

- Retired employees enrolled at a TBR university will receive an average annual discount of \$1,745; a total cost for this population of \$24,430 (14 x \$1,745). Retired employees at a TBR community college will receive an average annual discount of \$880; a total cost for this population of \$25,520 (29 x \$880).
- The total increase in state expenditures for retired state employees to take one course per semester (assuming two semesters per year) is estimated to be \$74,037 (\$24,087 + \$24,430 + \$25,520).
- Based on information received from the Tennessee Higher Education Commission (THEC), and information provided by the Tennessee Consolidated Retirement System (TCRS), it is estimated that there will be 145 spouse-recipients of the 25 percent tuition discount in FY13-14. Of those, 32 will attend four-year institutions; 22 will attend two-year institutions; five will attend technology centers; and 86 will attend graduate school.
- In FY13-14, the average discount at a four-year institution will be \$771; at a two-year institution will be \$425; at a TTC will be \$246; and at a graduate school will be \$981.
- In FY13-14, the tuition discount for spouses attending four-year institutions is estimated to be \$24,672 (\$771 x 32); for spouses attending two-year institutions is estimated to be \$9,350 (\$425 x 22); for spouses attending a TTC is estimated to be \$1,230 (\$246 x 5); and for spouses attending a graduate school is estimated to be \$84,366 (\$981 x 86).
- The total increase in state expenditures from the General Fund for FY13-14 is estimated to be \$193,655 (\$24,672 + \$9,350 + \$1,230 + \$84,366 + 74,037).
- In FY14-15 and subsequent fiscal years, THEC estimates that annual tuition will rise at least six percent for four-year institutions and three percent for two-year institutions and TTCs. Tuition at graduate schools is estimated to rise by at least the same rate as four-year institutions. In addition, annual enrollment for tuition waivers for spouses of full-time state employees is expected to rise by five percent for all institutions. As a result, it is reasonably estimated that the increase in state expenditures from the General Fund will exceed \$206,839 {[((\$24,672 x 106.0%) + (9,350 x 103.0%) + (\$1,230 x 103%) + (\$84,366 x 106.0) x 105.0% + 74,037} in FY14-15 and subsequent fiscal years.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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